

# How corporate SA could move beyond box-like thinking

Along with other beyond-the-box practices, Brazilian company Semco lets its employees determine their salary and encourages them to spend Wednesdays at the beach. This radically reengineered organisational structure is thanks to the company's former CEO Ricardo Semler.



Ricardo Semler, CEO, Semco. Image source: [Ted.com](https://www.ted.com)

Speaking at the 2018 Allan Gray Investment Summit, held recently in Cape Town and Johannesburg, keynote speaker Semler challenged delegates to find new solutions to problems: “We have become box people who live, work and travel in box-like structures. Why?”

He explained how it is possible to structure a company in a drastically different way to the traditional, hierarchical structure, and also to be profitable. Semler achieved a 40% return on capital every year for 25 years.

“The current model of capitalism, with its short-term focus on quarterly profits and never ending growth, is not realistic,” said Semler. “In addition, the feel good mantra of telling people they can be anything they want is just not true. It’s very hard to break out of your circumstances, your family background and the contacts you have.”

## Not about cosmetic gimmicks

He dismissed the notion that reorganising the workplace should be about superficial or cosmetic gimmicks like office pool tables, free snacks or funky carpets. His system of radical organisational re-engineering is not about free hand outs or easy money. It’s about making companies the locus for employees to exercise their talents and giving them a stake in the fortunes of a company, whether positive or negative.

So while you may be able to determine your salary, your co-workers are also able to vote on whether they think that salary is justified. He advocates absolute transparency within the organisation so that everyone knows how much the company is making (or losing). In addition, all employees' salaries are open to scrutiny.

"If you want to pay yourself three times your current salary, that's fine. But if your fellow employees decide that your salary is not justified relative to your contribution, then you will have to answer for that," he says. "We negotiate for a given result."

Semler's brand of corporate democracy even extends to making space for employees at board level. In board meetings at Semco, two seats with voting rights are left open to the first two employees who arrive for the meeting. This creates conversations in which complex decisions have to be explained – and justified – to all employees.

"We have very important corporate people who now have to explain things to the janitor in a way he or she could understand," he said.

## **Reduced staff turnover**

The benefits of Semler's model make Semco a highly desirable place to work. The company has managed to reduce staff turnover to just 2%. This is also partly due to a novel and intuitive approach to recruitment in which current employees are invited to scrutinise CVs and decide on which candidates should be invited for an interview. Once candidates have been selected, they are then invited to spend three days at the company to decide whether it's the right environment for them.

In this model, existing employees are encouraged to take time off, or as Semler puts it, "retire a little".

"Sell us your work and buy back your Wednesday," he said. "If you meet your weekly sales target in two days, then we'll tell you to go to the beach on Wednesday. We have passed the point where a Saturday, Sunday or Monday is relevant. People will make their own decision on when to take their Saturday."

For corporate South Africa, his message is rather simple and encourages innovation in its purest form.

“Look at how you are doing things and ask yourself: Is there a better way? Work is a place to exercise your skill and talent, but not at the expense of quality of life.”

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